

AAA Utilities, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 1994

	(8)	(9)	(10)	(11)
	Plant in	Accumulated	Cash Working	Contributions In
	Service	Depreciation	Capital	Aid of Construct.
\$	\$	\$	\$	\$

To amortize Contributions in Aid of
Construction (tap fees) since inception
of the system in 1989. (Acct.)

Per Staff	17,170
Per Company	0

Total Accounting and Pro Forma
Adjustments--Rate Base
Per Staff

1,754	2,756	(1,844)	17,170
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AAA Utilities, Inc.
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended December 31, 1994

	(17)	(18)	(19)	(20)	(21)
	Water	Sewer	Taxes Other	Income	Customer
	Revenues	Revenues	Than Income	Taxes	Growth
\$	\$	\$	\$	\$	\$

Description

Phase 2

To account for the effect of the
proposed increase. (Utilities & Acct.)

Per Staff	26,716	420	225	5,180	489
Per Company	26,683	420	221	3,300	0

Total Accounting and Pro Forma
Adjustments-Proposed Increase-
Per Staff - Phase 2

26,716	420	225	5,180	489
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AAA Utilities, Inc.
Depreciation Expense Adjustment
Test Year Ended 12-31-94

Date Acquired		Cost	Depreciation Rate	Depreciation Expense
		\$	%	\$
<u>Land Improvements</u>				
10-11-88	Fence	550	5.00%	28
11-26-91	Pump & Tank	260	14.29%	37
8-01-87	Tanks & Strandpiper	12,600	5.00%	630
8-01-87	Wells	5,400	5.00%	270
12-01-89	Wells	4,248	5.00%	212
12-01-90	Pumping Equipment	950	5.00%	48
8-01-87	Pumping Equipment	7,500	5.00%	375
3-01-89	Pumping Equipment	500	20.00%	25 *
12-01-89	Pumping Equipment	855	20.00%	171
9-27-90	Pumping Equipment	504	20.00%	101
8-01-87	Mains	14,200	3.00%	426
6-01-89	Mains	4,000	3.00%	120
3-01-89	Mains	13,500	3.00%	405
12-01-89	Mains	934	3.00%	28
9-27-90	Mains	1,215	3.00%	36
12-01-90	Mains	1,715	3.00%	51
3-18-91	6 inch Steel Casing	700	5.00%	35
10-19-92	Well & Pump	6,000	5.00%	300
<u>Total Land Improvements</u>		75,631		3,298
<u>Autos & Trucks</u>				
2-28-90	Truck	500	20.00%	100
7-25-90	Truck	15,765	20.00%	3,153
<u>Total Autos & Trucks</u>		16,265		3,253
<u>Office Equipment</u>				
12-20-88	Phone	167	16.66%	28 *
3-27-89	Metal Detector	110	20.00%	5 *
8-20-93	Laser Printer	720	20.00%	0 FD
<u>Total Office Equipment</u>		997		33
<u>Work Equipment</u>				
7-20-87	Trencher	4,500	20.00%	0 FD
7-21-88	Copier	940	16.66%	78 *
9-03-91	Weed Eater	303	20.00%	61
<u>Total Work Equipment</u>		5,743		139

AAA Utilities, Inc.
Depreciation Expense Adjustment
Test Year Ended 12-31-94

Date Acquired		Cost \$	Depreciation Rate %	Depreciation Expense \$	
	<u>Miscellaneous Equipment</u>				
8-01-87	Equipment	1,800	5.00%	90	
8-14-90	Signs	210	14.29%	30	
5-31-91	Meters	252	5.00%	13	
6-18-91	Die Compressor	600	14.29%	86	
6-30-91	Meters & Fittings	444	5.00%	22	
9-24-91	Meters & fittings	465	5.00%	23	
10-31-91	Meters & Fittings	222	5.00%	11	
12-24-91	Meters & Fittings	269	5.00%	13	
7-01-92	Pump	563	20.00%	113	
8-01-92	Pump	302	20.00%	60	
11-01-92	Chemical Pump	275	20.00%	55	
10-21-93	Motor Voltmeter	200	20.00%	40	
	<u>Total Miscellaneous Equip.</u>	<u>5,602</u>		<u>556</u>	
	<u>Other Capitalized Plant</u>				
4-11-94	Pumping Equipment	1,200	10.00%	120	
4-11-94	Pumping Equipment	800	10.00%	80	
4-16-94	Pumping Equipment	179	10.00%	18	
	<u>Total Pumping Equipment</u>	<u>2,179</u>		<u>218</u>	
	<u>Total Plant in Service</u>	<u>106,417</u>			
	Less: FD Plant	(5,220)			
	<u>Totals</u>	<u>101,197</u>		7,497	7.41%
	Less: Tap Fees	(27,500)			
	<u>Total Depreciable Plant</u>	<u>73,697</u>			
	Composite Depreciation Rate	7.41%			
	<u>Depreciation Expense Allowed</u>	<u>5,461</u>			
	Depreciation Expense Per Books	8,245			
	<u>Staff's Adjustment</u>	<u>(2,784)</u>			
	FD - Fully Depreciated				
	* Remaining Depreciation				

AAA Utilities, Inc.
 Computation of Income Taxes
 Test Year Ended December 31, 1994

<u>After Proposed Increase</u>	<u>Phase 1</u>	<u>Phase 2</u>	<u>Adjustment</u>
	\$	\$	\$
Operating Revenues	109,049	136,185	
Less: Operating Expenses	(96,930)	(97,155)	
Interest Expense	(3,796)	(3,796)	
<u>Taxable Income</u>	8,323	35,234	
<u>Composite Tax Rate</u>	19.25%	19.25%	
<u>Income Taxes After the Proposed Increase</u>	1,602	6,782	5,180

AAA Utilities, Inc.
 Computation of Customer Growth
 Test Year Ended December 31, 1994

Customers at 12-31-93	390
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Customers at 12-31-94	409
	<u> </u>
Average Customers	400
	<u> </u>

Formula:

$$\frac{\text{End of the Year Customers} - \text{Average Customers}}{\text{Average Customers}} = \text{Customer Growth Factor}$$

$$\frac{409 - 400}{400} = 2.25\%$$

	After Proposed Increase Phase 1	After Proposed Increase Phase 2	Adjustment
<u>Net Operating Income</u>	\$ 10,517	\$ 32,248	\$
<u>Growth Factor</u>	<u>2.25%</u>	<u>2.25%</u>	
<u>Customer Growth</u>	<u>237</u>	<u>726</u>	<u>489</u>

AAA Utilities, Inc.
 Computation of Cash Working Capital
 Test Year Ended December 31, 1994

<u>Description</u>	(1) <u>Per Books</u>	(2) <u>Correcting</u> <u>Entries</u>	(3) <u>Corrected</u> <u>Per Books</u>
	\$	\$	\$
Operating	40,094	(9,933)	30,161
Maintenance	19,021	(1,784)	17,237
Administrative & General	26,201	(3,033)	23,168
<u>Total</u>	<u>85,316</u>	<u>(14,750)</u>	<u>70,566</u>
<u>Cash Working Capital @ 1/8</u>	<u>10,665</u>	<u>(1,844)</u>	<u>8,821</u>

AAA Utilities, Inc.
Return on Common Equity Schedule
Test Year Ended December 31, 1994

(1) Capital Structure	(2) Ratio %	(3) Rate Base \$	(4) Before Proposed Increase		(5) Overall		(6) Net		(7) After Proposed Increase Phase 1		(8) Overall		(9) Cost/Rate		(10) Net	
			Embedded Cost %	Cost %	Cost/Rate %	Cost/Rate %	Income \$	Income \$	Rate Base \$	Embedded Cost %	Cost %	Cost/Rate %	Cost/Rate %	Cost/Rate %	Income \$	Income \$
Long-Term Debt	32,118	50.00%	29,769	12.75%	6.38%	3,796	3,796	29,769	12.75%	6.38%	3,796	3,796				
Common Equity	(23,452)	50.00%	29,769	-64.43%	-32.22%	(19,179)	(19,179)	29,769	23.37%	11.68%	6,958	6,958				
Total	8,666	100.00%	59,538	-25.84%	(15,383)			59,538	18.06%		10,754	10,754				

(11) Rate Base \$	(12) After Proposed Increase Phase 2		(13) Overall		(14) Net	
	Embedded Cost %	Cost %	Cost/Rate %	Cost/Rate %	Income \$	Income \$
29,769	12.75%	6.38%	3,796	3,796		
29,769	98.01%	49.00%	29,178	29,178		
59,538		55.38%	32,974	32,974		

* The Company's common equity is negative, therefore Staff used a model capital structure of 50/50 to synchronize interest expense.

AAA Utilities, Inc.
Income Statement
Test Year Ended December 31, 1994

<u>Operating Revenues</u>		
	\$	
Water Revenues	90,237	
Sewer Revenues	840	
Tap Fee Revenues	<u>3,400</u>	
<u>Total Operating Revenues</u>		94,477 =====
<u>Operating Expenses</u>		
<u>Maintenance Expenses</u>		
Salaries and Wages	17,400	
Maintenance and Repair	5,041	
Treatment Chemicals	1,068	
Automobile Expense	3,484	
Outside Services	9,702	
Utilities	9,338	
Supplies	1,596	
Miscellaneous	1,447	
SCDHEC	<u>10,039</u>	
<u>Total Maintenance Expenses</u>		59,115
<u>General Expenses</u>		
Salaries and Wages	9,000	
Office Supplies	2,050	
Rent	0	
Insurance	5,234	
Office Utilities	3,342	
Professional Fees	5,598	
Fines and Penalties	663	
Miscellaneous	<u>314</u>	
<u>Total General Expenses</u>		26,201
Depreciation Expense		8,245
Taxes Other Than Income		<u>5,495</u>
<u>Total Operating Expenses</u>		99,056
<u>Net Operating Income</u>		(4,579)
<u>Interest on Debt</u>		<u>5,314</u>
<u>Net Income</u>		(9,893) =====

AAA Utilities, Inc.
Balance Sheet
As of December 31, 1994

ASSETSCurrent Assets

Checking-General Fund	(145)	
Total Current Assets		<u>(145)</u>

Fixed AssetsOther Assets

Accumulated Depreciation	(1,734)	
Closing Costs	620	
Loan Origination Costs	500	
Organization Costs	550	
PSC Costs	<u>923</u>	

Total Other Assets		<u>859</u>
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Property & Equipment

Accumulated Depreciation	(48,501)	
Autos & Trucks	16,265	
Goodwill	123	
Land Improvements	75,631	
Machinery & Equipment	<u>13,142</u>	

Total Property & Equipment		<u>56,660</u>
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TOTAL ASSETS		57,374
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LIABILITIES & EQUITYCurrent Liabilities

Accounts Payable	25,297	
Accrued Federal Taxes	1,541	
Accrued State Taxes	164	
Accrued Unemployment Taxes	106	
Checks Not Cashied-Mr. Swearingen	<u>21,600</u>	

Total Current Liabilities		<u>48,708</u>
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Long Term Liabilities

Notes Payable-Lexington State Bank		<u>32,118</u>
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Total Liabilities		80,826
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Equity

Common Stock	100	
Paid In Capital	100	
Retained Earnings	(13,759)	
Net Income	<u>(9,893)</u>	

Total Equity		<u>(23,452)</u>
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TOTAL LIABILITIES & EQUITY		57,374
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